

EXHIBIT 20

Page 1

1

2 UNITED STATES DISTRICT COURT
3 FOR THE DISTRICT OF PUERTO RICO

4

In re:

x

5

THE FINANCIAL OVERSIGHT AND PROMESA
MANAGEMENT BOARD FOR PUERTO
RICO,
as representative of
THE COMMONWEALTH OF PUERTO RICO,
et al.,
Debtors.

Title III

7

8

10 In re:
11 PROMESA
12 THE FINANCIAL OVERSIGHT AND
13 MANAGEMENT BOARD OF PUERTO RICO,
14 Case No.
15 17 BK 4780-LTS
16 as representative of
17 PUERTO RICO ELECTRIC POWER AUTHORITY,
18 Debtor.

x

16 (Caption continued on following page.)

17 * P R O F E S S I O N A L E Y E S O N L Y *

18 VIDEOTAPED DEPOSITION

19

OF

20

STEPHEN J. SPENCER

21

New York, New York

22

Tuesday, October 15, 2019

23

24

Reported by:

ANNETTE ARLEQUIN, CCR, RPR, CRR, CLR

25

JOB NO. 169104

Page 66

1 S. Spencer - Professional Eyes Only
2 BY MR. WORTHINGTON:
3 Q. Setting aside any legal advice
4 that you've received from Kramer Levin, do
5 you have an understanding of the
6 circumstances in which a bondholder is and
7 is not generally entitled to receive
8 post-petition interest?
9 A. I have a general understanding of
10 when financial creditors, bondholder,
11 senior lender, might be entitled to receive
12 post-petition interest. I do have a
13 general understanding of that.
14 Q. Okay. And are you aware of
15 precedence, other cases that would support
16 the payment of post-petition interest to
17 the ad hoc bondholders here?
18 MR. DELL: I'm going to direct
19 you not to answer with respect to
20 conversations with counsel in this
21 matter.
22 MR. WORTHINGTON: That's fine.
23 I'll rephrase it, actually.
24 BY MR. WORTHINGTON:
25 Q. Setting aside any information

Page 67

1 S. Spencer - Professional Eyes Only
2 that's conveyed to you by Kramer Levin, are
3 you aware of any precedence that support
4 the payment of post-petition interest to
5 the ad hoc bondholders in this case?
6 A. As I've said, I think, setting
7 aside any conversation with counsel,
8 setting aside this situation, as I've said,
9 I think PREPA is a pretty impressive
10 situation, in my professional experience.
11 Q. I suspect I'm -- well, I'll ask
12 another question. I can guess what the
13 answer is going to be.
14 But are you aware of precedence
15 in other cases in which preplanned
16 descriptions of the magnitude contemplated
17 built definitive RSA were made to
18 bondholders?
19 MR. DELL: I'm going to direct
20 you not to answer with respect to
21 anything that you've learned from
22 discussions with counsel.
23 A. Can you ask the --
24 MS. HALSTEAD: Also object to the
25 form and relevance to this question.

Page 68

1 S. Spencer - Professional Eyes Only
2 A. Can you ask the question again?
3 Q. Setting aside advice that you've
4 been given by Kramer Levin, what precedents
5 are you aware of from other cases in which
6 preplanned distributions of the magnitude
7 contemplated by the RSA have been made to
8 bondholders?
9 A. Preplanned --
10 MS. HALSTEAD: Same objection.
11 A. -- distributions of the amount
12 contemplated by the RSA?
13 Q. Yes.
14 A. Can you define preplanned
15 distribution?
16 Q. Do you have an understanding of
17 what it means to talk about a preplanned
18 distribution?
19 A. So you're asking the general
20 question or are you asking --
21 Q. Well, do you agree that the RSA
22 contemplates that distributions will be
23 made to members of the ad hoc group prior
24 to the final confirmation of a plan of
25 adjustment in the PREPA case?

Page 69

1 S. Spencer - Professional Eyes Only
2 MR. DELL: Well, I'm going to
3 direct you not to answer with respect
4 to any communications with counsel.
5 BY MR. WORTHINGTON:
6 Q. No, I'm just asking as a factual
7 matter, do you agree --
8 MR. DELL: You asked him whether
9 he read the RSA provision on this and
10 what that -- to give you his
11 understanding of it?
12 MR. WORTHINGTON: Okay. Let's
13 step back.
14 BY MR. WORTHINGTON:
15 Q. Are you familiar with the terms
16 of the definitive RSA as a general matter?
17 A. I'm... any understanding in
18 any... anything related to the RSA and our
19 understanding of the RSA, the terms of the
20 RSA, have come through our conversations
21 with counsel and so --
22 Q. You have no independent
23 understanding of how the RSA works than
24 what Kramer Levin has told you?
25 A. I don't think I can render a view

<p style="text-align: right;">Page 70</p> <p>1 S. Spencer - Professional Eyes Only 2 of the RSA or how the RSA works independent 3 of my discussions with counsel. 4 Q. But as just as a matter of fact, 5 do you have any understanding, just "yes" 6 or "no," setting aside where it came from, 7 just as a "yes" or "no" question, do you 8 have an understanding whether the RSA 9 provides for distributions to ad hoc group 10 members prior to the confirmation of a 11 final plan of adjustment for PREPA? 12 A. I have a general understanding 13 that certain distributions -- 14 MR. DELL: Well, this is a "yes" 15 or "no" question. 16 THE WITNESS: Yeah. 17 A. Yes. 18 Q. Okay. So what is your 19 understanding -- as a factual matter, 20 what's your understanding of the 21 distributions that the RSA provides for to 22 be made to the ad hoc group members prior 23 to the confirmation of a final plan of 24 adjustment? 25 MR. DELL: If that understanding</p>	<p style="text-align: right;">Page 71</p> <p>1 S. Spencer - Professional Eyes Only 2 is based on discussions with counsel, 3 then I direct you not to answer. 4 A. That understanding is based on a 5 conversation with counsel, so I don't think 6 I'm at liberty to address the question. 7 Q. So do you have any independent 8 understanding -- strike that. 9 Has Houlihan Lokey made any 10 analysis of its own of what payments will 11 be made to the ad hoc group members under 12 the RSA? 13 A. All analysis we've done has been 14 at the direction of counsel. 15 Q. Okay. Do you have an 16 understanding as to whether -- you're 17 familiar with the fact that the RSA 18 provides for Tranche A and Tranche B bonds? 19 If I refer to those, do you know 20 what I'm talking about? 21 A. I'm familiar with Tranche A and 22 Tranche B bonds, yes. 23 Q. Okay. Do you have an 24 understanding as to what the maturity of 25 the Tranche A bonds is?</p>
<p style="text-align: right;">Page 72</p> <p>1 S. Spencer - Professional Eyes Only 2 A. I do have an understanding of the 3 maturity, yes. 4 Q. Do you understand the Tranche A 5 bonds to have an open-ended maturity? 6 A. Yes. That's my understanding. 7 Q. Okay. Are you aware of any 8 precedence for bonds with open-ended 9 maturity dates? 10 MR. DELL: I'm going to direct 11 you not to answer with respect to 12 discussions with counsel. 13 MS. HALSTEAD: Objection. 14 A. Are you asking me -- can you 15 restate the question? 16 Q. Setting aside any advice Kramer 17 Levin may have given you, are you aware of 18 any precedents in other circumstances, 19 other restructuring scenarios, any 20 circumstances, are you aware of any 21 precedents for bonds that have open-ended 22 maturities? 23 MR. DELL: Objection to form. 24 A. I am aware of bonds that have 25 open-ended maturities.</p>	<p style="text-align: right;">Page 73</p> <p>1 S. Spencer - Professional Eyes Only 2 Q. What examples are you aware of? 3 A. I have a general understanding 4 that it's a financing feature of certain 5 bonds, tobacco, for example, that extend 6 indefinitely depending upon the amount of 7 cash available to pay the bond. 8 Q. Any other examples you can think 9 of? 10 A. I have a general awareness that 11 it's a feature that's used outside of 12 tobacco bonds in other aspects of the 13 municipal market. 14 Q. What aspects of the municipal 15 market are you aware of that use open-ended 16 bonds? 17 A. I don't know specific instances, 18 but I do understand it to be the financing 19 feature of certain bonds in the mini 20 market. 21 Q. Okay. But you're not -- can you 22 give me any details about who the issuers 23 were or what the circumstances of those 24 bonds were? 25 A. Outside of the tobacco bonds</p>

Page 74

1 S. Spencer - Professional Eyes Only
2 which I mentioned?
3 Q. Other than the tobacco bonds.
4 A. I can't specifically reference,
5 but my understanding is that there may be
6 some others.
7 Q. Got it. Okay.
8 MR. WORTHINGTON: Let's take a
9 few-minute break.
10 THE VIDEOGRAPHER: The time is
11 10:45 a.m. Going off the record.
12 (Recess is taken.)
13 THE VIDEOGRAPHER: The time is
14 11:04 a.m. We are on the record.
15 BY MR. WORTHINGTON:
16 Q. Welcome back, Mr. Spencer.
17 Right before we broke, you said
18 you were generally aware that in the
19 municipal bond markets, there are other
20 bonds with open-ended maturities, but you
21 weren't aware of any specifics.
22 Is that right?
23 MR. DELL: Objection to form.
24 A. So I think I indicated that I
25 believed tobacco bonds to be an

Page 75

1 S. Spencer - Professional Eyes Only
2 illustration. So whether that's a specific
3 bond or example, I'm not sure whether
4 that's --
5 Q. Okay. But other than tobacco
6 bonds, you testified you believe there may
7 be open-ended maturity bonds in the
8 municipal markets, but you weren't aware of
9 specific issuers or details about any such
10 open-ended bonds; is that right?
11 MR. DELL: Objection to form.
12 A. So what I've responded is I
13 believe it to be a financing -- a bond type
14 that exists in the mini market, and I cited
15 tobacco bonds, but there may be others.
16 Q. Do you know if there are any
17 power revenue bonds that have open-ended
18 maturities?
19 A. I'm personally -- I'm personally
20 not familiar with any.
21 Q. Okay. How about water or sewer
22 bonds that have open-ended maturities, were
23 you aware of any?
24 A. To the best of my knowledge, no.
25 Q. Okay. Or highway bonds that have

Page 76

1 S. Spencer - Professional Eyes Only
2 open-ended -- highway bonds, are you aware
3 of any that have open-ended maturities?
4 A. I'm not a municipal market
5 expert, but to the best of my knowledge,
6 no.
7 Q. Okay. Is it your understanding
8 that PREPA's legacy bonds are secured only
9 by PREPA's net revenues from its electric
10 generation and distribution system as well
11 as reserve accounts held by the trustee?
12 MS. HALSTEAD: Objection. Form.
13 A. So my understanding of the bonds
14 comes from communication with, comes from
15 communication with counsel.
16 MR. WORTHINGTON: Let me have Tab
17, please.
18 (Spencer Exhibit 5, Document
19 entitled "Testimony of Stephen J.
20 Spencer, March 22, 2017, to the U.S.
21 House Committee on Natural Resources,
22 Subcommittee on Indian, Insular, and
23 Alaska Native Affairs", not
24 Bates-stamped, marked for
25 identification, as of this date.)

Page 77

1 S. Spencer - Professional Eyes Only
2 BY MR. WORTHINGTON:
3 Q. We've marked as Spencer
4 Exhibit 5, a document entitled "Testimony
5 of Stephen J. Spencer, March 22, 2017, to
6 the U.S. House Committee on Natural
7 Resources, Subcommittee on Indian, Insular,
8 and Alaska Native Affairs."
9 Is that the document that you
10 have in front of you?
11 A. Yes.
12 Q. Okay. Is this your testimony
13 that you provided to the House of -- U.S.
14 House of Representatives on March 22 of
15 2017?
16 A. Would you like me to read it?
17 Q. Look at it as much as you needed
18 to satisfy yourself that is, in fact,
19 the testimony that you provided to the
20 House of Representatives.
21 A. Yes, I believe it to be the
22 testimony I provided.
23 Q. Okay. Can you turn to page 3,
24 please?
25 (Witness complies.)

Page 78

1 S. Spencer - Professional Eyes Only
2 Q. The bottom of page 3, you see it
3 says, "PREPA has issued approximately
4 8.3 billion of outstanding revenue bonds to
5 the public"?
6 A. I see that, yes.
7 Q. Okay. And that refers to the
8 PREPA legacy bonds that are being
9 restructured in the definitive RSA,
10 correct?
11 A. That's correct, yes.
12 Q. And the next sentence says, "The
13 bonds are secured by PREPA's net revenues
14 from electric generation and distribution
15 system, as well as reserve accounts held by
16 the trustee."
17 Is that right?
18 A. That's what it says, yes.
19 Q. And is that the testimony that
20 you provided to the House of
21 Representatives back in 2017?
22 A. This appears to be the testimony,
23 that's correct.
24 Q. Was that an accurate statement,
25 to the best of your knowledge, at the time

1 S. Spencer - Professional Eyes Only
2 that you made it?
3 A. To the best of my knowledge, that
4 was an accurate statement.
5 Q. Okay. And this nowhere refers to
6 any security interest of the PREPA bonds in
7 gross revenues of PREPA; it refers to a net
8 revenue security interest, correct?
9 MS. HALSTEAD: Objection to form.
10 A. That's the way the language
11 reads, yes.
12 Q. Okay. And was that language,
13 when you wrote that language and submitted
14 it to the House of Representatives, you did
15 that because you believed it was accurate,
16 right?
17 A. I believed it was accurate, yes.
18 Q. Do you have any reason today to
19 question its accuracy?
20 A. I believe this still to be an
21 accurate representation.
22 Q. Okay. When do you believe the
23 Tranche A notes will be fully paid off?
24 A. So we provided an analysis of the
25 Tranche A notes to counsel and at the

Page 80

1 S. Spencer - Professional Eyes Only
2 direction of counsel.
3 I'm not able, I think -- I'm not
4 able to address that question.
5 Q. Do you have any non-privileged
6 expectations with respect to the payment
7 timing of the Tranche A notes?
8 MR. DELL: Objection to form.
9 A. We've provided an analysis to
10 counsel about our expectations relating to
11 payment of the A bonds.
12 Q. Let me ask a different question.
13 Do you believe -- as the ad hoc
14 group's financial adviser, do you believe
15 there's any risk that the Tranche A notes
16 may not be repaid, may not be fully repaid?
17 A. Let me speak independent of our
18 analysis provided to Kramer Levin and at
19 the direction of Kramer Levin, I believe
20 that there is a risk that the A notes might
21 not be repaid.
22 Q. Can you quantify that risk that
23 the A notes may not be repaid?
24 A. It is a -- could I quantify it?
25 Based on a number of macro assumptions, I

1 S. Spencer - Professional Eyes Only
2 believe you can assess that risk.
3 Q. Do you believe -- can you make
4 any estimate of the likelihood that the
5 tranche -- let me ask that differently.
6 Sitting here right now, can you
7 make any, even approximate, estimation of
8 the likelihood that the Tranche A notes
9 will not be repaid?
10 MR. DELL: And you're asking
11 independent of his --
12 BY MR. WORTHINGTON:
13 Q. Independent of advice Kramer
14 Levin has given you.
15 A. Independent of the work that we
16 have done for Kramer Levin, sitting here
17 right now, I think it would be very
18 difficult for me to render that view. It's
19 based on --
20 Q. Greater or less than 10 percent?
21 A. I'm not in a position to quantify
22 it sitting here right now.
23 Q. And what was the purpose -- you
24 said you -- you said you've prepared
25 repayment analysis at the request of Kramer

Page 79

Page 82

1 S. Spencer - Professional Eyes Only
 2 Levin; is that right?
 3 A. That's correct.
 4 Q. And what -- do you have any
 5 understanding of what legal advice those
 6 repayment analyses were ultimately prepared
 7 in support of?
 8 MR. DELL: You can answer "yes"
 9 or "no," but not go into the substance.
 10 A. Yes.
 11 Q. Have you provided any business
 12 advice to the ad hoc group members in
 13 connection with the negotiation of the
 14 PREPA RSA?
 15 A. Independent of conversations that
 16 occurred with counsel, I don't -- I don't
 17 recall specific business advice.
 18 Q. Has Houlihan Lokey provided any
 19 advice to the ad hoc group over the last
 20 five years that wasn't relayed through
 21 counsel or provided at the request of
 22 counsel?
 23 A. I don't recall specific instances
 24 of advice that was provided to the ad hoc
 25 group independent of Kramer Levin or not at

Page 84

1 S. Spencer - Professional Eyes Only
 2 business advice as to the expected value of
 3 the notes that would result from the PREPA
 4 RSA?
 5 A. Can you restate the question?
 6 Q. Yeah. Let's step back.
 7 You testified that Houlihan Lokey
 8 had performed analyses of the expected
 9 value of the Tranche A and Tranche B notes
 10 under the RSA; is that right? This is a
 11 "yes" or "no."
 12 A. Yes, we have.
 13 Q. Okay. And you've also testified
 14 that you performed those analyses at the
 15 request of Kramer Levin; is that right?
 16 A. That's correct.
 17 Q. Okay. Have you performed any
 18 analyses of the value of the Tranche A and
 19 Tranche B notes that were not at the
 20 request of Kramer Levin?
 21 A. To the best of my knowledge, we
 22 have not.
 23 Q. So was the purpose of the
 24 analyses that you've provided regarding the
 25 expected value of the Tranche A and Tranche

1 S. Spencer - Professional Eyes Only
 2 the direction of Kramer Levin.
 3 Q. Over the course of the five-year
 4 engagement, has Houlihan Lokey had any
 5 communications with the ad hoc bondholders
 6 that Kramer Levin didn't participate in?
 7 A. From time to time, we've had
 8 conversations with individual ad hoc group
 9 members.
 10 Q. What kinds of subjects have you
 11 discussed with the individual ad hoc group
 12 members?
 13 A. I don't recall specific
 14 conversations.
 15 Q. Have you ever had a discussion
 16 with an ad hoc group about the expected
 17 value of the notes that would be provided
 18 as a result of the definitive RSA?
 19 A. To the best of my knowledge, any
 20 such conversation would have stemmed from
 21 analysis that we had done at the direction
 22 of Kramer Levin.
 23 Q. Was the purpose of that analysis
 24 to allow Kramer Levin to provide legal
 25 advice or for Houlihan Lokey to provide

Page 85

1 S. Spencer - Professional Eyes Only
 2 B notes to allow the ad hoc group members
 3 to understand the expected value of the
 4 notes that they will receive if the
 5 restructuring goes forward?
 6 A. Yes, I believe that was the
 7 purpose.
 8 Q. Okay. What was your analysis of
 9 the expected value of the Tranche A and
 10 Tranche B notes to the ad hoc group
 11 members?
 12 A. We provided that analysis to
 13 counsel.
 14 MR. WORTHINGTON: Mike, can we
 15 talk offline?
 16 Let's go off the record for a
 17 minute.
 18 THE VIDEOGRAPHER: The time is
 19 11:15 a.m. Going off the record.
 20 (Recess is taken.)
 21 (Discussion off the record.)
 22 THE VIDEOGRAPHER: The time is
 23 11:18 a.m. We are back on the record.
 24 BY MR. WORTHINGTON:
 25 Q. Do you have an understanding of

Page 94

1 S. Spencer - Professional Eyes Only
2 Q. And that call protection term was
3 added at the request of the ad hoc group
4 bondholders, right, the ad hoc group
5 members?
6 A. I don't recall specifically. I
7 believe that to be the case.
8 MR. WORTHINGTON: Let's mark Tab
9 18.
10 (Spencer Exhibit 7, Email chain
11 beginning with email dated 6/22/18 from
12 IICG-MKTS to Mondell and others with
13 attachments, Bates-stamped
14 CGMIRSA_002269 through 2276, marked for
15 identification, as of this date.)
16 BY MR. WORTHINGTON:
17 Q. We're going to come back to
18 Spencer 6. Skip ahead to Spencer 7 now.
19 So this is an email first Bates
20 No. CGMIRSA002269 which is a June 22, 2018,
21 email that attached a presentation
22 entitled, "PREPA Discussion Materials AHG
23 Counter, June 21, 2018."
24 Do you see that?
25 A. I do, yes.

Page 95

1 S. Spencer - Professional Eyes Only
2 Q. Okay. If you go to 4 of the
3 presentation, page Bates 2273.
4 Have you seen this document
5 before?
6 A. I don't recall.
7 Q. If you turn to page 4, you'll see
8 a section called "Call protection."
9 (Witness complies.)
10 Q. And you see it refers to "Citi
11 June 2018 Discussion Materials, call
12 protection not covered," and then "AHG
13 counter," and then it includes call
14 protection terms.
15 Does this accurately reflect the
16 negotiating positions of the parties at
17 this time with respect to a call protection
18 term in the RSA that was under negotiation?
19 A. I don't recall. I have no reason
20 to believe it doesn't, but I don't recall.
21 Q. Okay. So when you look at this,
22 does it refresh any recollections about the
23 negotiations that went on with respect to a
24 call protection term?
25 A. Yes.

Page 96

1 S. Spencer - Professional Eyes Only
2 Q. Oh, it does? Okay.
3 What recollections does this
4 refresh for you?
5 A. Merely that there was some
6 back-and-forth discussion of the issue.
7 Q. And you agree this document
8 indicates that -- sorry, strike that.
9 The original Citi June 2018
10 discussion materials, does that refer to
11 the starting position in the negotiations
12 that ultimately culminated in the
13 preliminary RSA?
14 A. I don't recall.
15 Q. Okay. Is it at least -- would
16 this at least reflect an early position
17 from the government parties in connection
18 with the negotiations that ultimately
19 culminated in the preliminary RSA?
20 A. I think that's correct.
21 Q. Okay. And is it fair to read the
22 ad hoc group counter as the counter by your
23 side of the negotiation to that early Citi
24 proposal with respect to an RSA?
25 A. That's what this presentation

Page 97

1 S. Spencer - Professional Eyes Only
2 suggests.
3 Q. Do you have any reason to believe
4 that it's incorrect?
5 A. I have no reason to believe --
6 no, I don't.
7 Q. Okay. So this indicates that the
8 ad hoc group requested a call protection
9 provision, correct?
10 MR. WORTHINGTON: Can whoever is
11 on the phone please mute?
12 A. Can you restate the question?
13 Q. This indicates that it was the ad
14 hoc group that requested a call protection
15 provision in the RSA, correct?
16 A. This presentation suggests that's
17 the case, yes.
18 Q. Okay. And you have no reason to
19 doubt that that's accurate?
20 A. No.
21 Q. Okay. So why did the ad hoc
22 group request a call protection term?
23 A. I don't recall specifically.
24 Q. As a "yes" or "no" question, has
25 the ad hoc group performed any analysis

Page 98

1 S. Spencer - Professional Eyes Only
 2 placing a value on a call protection term
 3 in the RSA?
 4 A. I don't recall.
 5 Q. Absent a call protection term,
 6 has the ad hoc group performed any analysis
 7 of the likelihood that the restructured
 8 PREPA bonds would otherwise be called by
 9 PREPA during their term?
 10 A. I don't recall.
 11 Q. Do you have any idea what value,
 12 if any, the ad hoc group places on the call
 13 protection term in the definitive RSA that
 14 ultimately was included in the definitive
 15 RSA?
 16 A. No, I don't.
 17 Q. Does a call protection term have
 18 value if the PREPA bonds that are issued as
 19 a result of the restructuring trade at a
 20 premium to par, or does it only have value
 21 if they trade at a discount to par?
 22 MR. DELL: Objection to form.
 23 A. You're asking does the call
 24 protection --
 25 Q. Let me ask you a different

Page 99

1 S. Spencer - Professional Eyes Only
 2 question.
 3 Does the value of the call
 4 protection turn on whether the PREPA
 5 restructured PREPA bonds trade at a
 6 discount or premium to par?
 7 A. Not exactly.
 8 Q. Are they correlated?
 9 A. There's a -- I believe there to
 10 be a correlation.
 11 Q. Okay. So has the ad hoc group
 12 performed any analysis of the relationship
 13 between the expected premium or discount to
 14 par of the restructured PREPA bonds and the
 15 call protection terms that are included in
 16 the definitive RSA?
 17 A. I don't believe I can answer that
 18 question as you stated it.
 19 Q. Because of privilege or because
 20 you don't understand the question?
 21 A. For two reasons. One, I don't
 22 understand the question; and, two,
 23 ultimately I can't answer it because any
 24 analysis we've done --
 25 Q. Well, you can answer it "yes" or

Page 100

1 S. Spencer - Professional Eyes Only
 2 "no." I'm not asking you to explain the
 3 analysis.
 4 A. Yeah.
 5 Q. I'm just asking if an analysis
 6 has been done. So let's step back.
 7 A. And what specific analysis?
 8 Because I think you asked whether there
 9 were two --
 10 Q. So let me step back.
 11 My question is, had the ad hoc
 12 group performed an analysis of the
 13 relationship between the expected premium
 14 or discount to par of the restructured
 15 PREPA bonds and the value of any call
 16 protection terms that are included in the
 17 definitive RSA?
 18 A. I don't recall.
 19 Q. So what is the correlation
 20 between the value of -- what would the
 21 correlation be between the value of call
 22 protection and the trading price of the
 23 bonds, the PREPA bonds?
 24 A. So the call provision has an
 25 independent theoretical value attached to

Page 101

1 S. Spencer - Professional Eyes Only
 2 it. The actual value is a function of
 3 where the bonds trade on a post-reorg basis
 4 after they're issued.
 5 Q. And so directionally, what is the
 6 correlation between the theoretical value
 7 of the call provision and the trading price
 8 of the bonds on a post-reorganized basis?
 9 A. So on a post-reorg basis, if the
 10 bonds trade at a premium, then the call
 11 protection has value. If they trade at a
 12 discount to face, then, in actuality, it
 13 wouldn't have value.
 14 Q. Okay. Have you performed any
 15 analysis comparing the restructure, the
 16 anticipated restructure PREPA notes with
 17 the COFINA bonds?
 18 A. I don't recall.
 19 Q. Do you have any understanding of
 20 what yield the COFINA bonds currently pay?
 21 A. I don't -- sitting here today, I
 22 don't have an understanding of what they
 23 pay.
 24 Q. Do you know if they're trading
 25 above or below 5 percent yield?

<p style="text-align: right;">Page 102</p> <p>1 S. Spencer - Professional Eyes Only 2 A. I don't. 3 Q. Do you believe that there's 4 any -- strike that. 5 Do you believe that the COFINA 6 bonds are a meaningful benchmark, the yield 7 of the COFINA bonds is a meaningful 8 benchmark in evaluating the appropriateness 9 of the yield of the reorganized PREPA 10 bonds? 11 MS. HALSTEAD: Objection to form. 12 Relevance. 13 A. I can't render a view of -- it 14 hinges on your use of the term 15 "meaningful." I believe it's a benchmark. 16 It's a potential benchmark. 17 Q. Are you aware of risks relating 18 to the Tranche A notes that would justify a 19 higher coupon rate on the -- strike that. 20 Are you aware of risks relating 21 to the Tranche A notes that would justify a 22 higher yield in the Tranche A notes than in 23 the COFINA bonds? 24 MS. HALSTEAD: Objection. Form. 25 Relevance.</p>	<p style="text-align: right;">Page 103</p> <p>1 S. Spencer - Professional Eyes Only 2 A. It's a difficult question for me 3 to answer. I'm aware of distinct and 4 unique risks affecting the A bonds. And 5 how that compares to COFINA, it's unclear. 6 Q. What are the risks that you 7 believe confront the Tranche A bonds? 8 A. There is an a range of potential 9 risks that confront the Tranche A bonds. 10 Q. Can you give me a quick summary 11 list of the risks you believe are 12 meaningful in evaluating the Tranche A 13 bonds? 14 A. I can highlight a few. 15 Q. Sure. Why don't you highlight 16 the ones that you view as important. 17 A. One is the macroeconomy in Puerto 18 Rico. 19 Q. Okay. 20 A. Another potential risk factor is 21 electricity consumption. 22 A third is the interplay between 23 those first two critical factors. Those 24 would be three off the top of my head. 25 Q. Are there other risks that you're</p>
<p style="text-align: right;">Page 104</p> <p>1 S. Spencer - Professional Eyes Only 2 aware of which you believe are relevant to 3 the Tranche A, the contemplated Tranche A 4 COFINA -- sorry, PREPA bonds? 5 A. I believe there to be a number of 6 potential risks, yes. 7 Q. What are the other ones that you 8 believe are material? 9 A. As we've seen, potential 10 weather-related disruption in the provision 11 of electric service. 12 Q. Okay. Others? 13 A. The implementation independent of 14 PREPA of distributed generation at the 15 retail and commercial level. 16 Q. So you believe implementation 17 independent of PREPA of distributed 18 generation would be a positive or a 19 negative for the Tranche A bonds? 20 A. I believe that could potentially 21 be a negative. It would remain -- it's 22 dependent on a number of factors. 23 Q. Okay. Are there other risks? 24 You were running through a list of risks. 25 Are there other risks that you</p>	<p style="text-align: right;">Page 105</p> <p>1 S. Spencer - Professional Eyes Only 2 would include in the list of potentially 3 significant risks affecting the COFINA A 4 bonds -- I'm sorry. Strike that. Let me 5 take that from the top. 6 Are you aware of other 7 potentially significant risks potentially 8 affecting the PREPA bonds? 9 A. Those are some of the more 10 prominent risks. We could continue the 11 exercise, but I guess I'd stop there unless 12 you want to continue. 13 Q. Well, if we're trying to capture 14 the risk that you view as significant, are 15 there additional risks that you view as 16 significant risks that you haven't 17 mentioned? 18 A. One is the -- another potentially 19 significant risk is the interrelationship 20 between the Commonwealth and the Federal 21 Government, particularly as that affects 22 funding to municipal agencies like PREPA. 23 Q. Okay. Are there other risks that 24 you would include in the list of your list 25 of potentially significant risks affecting</p>